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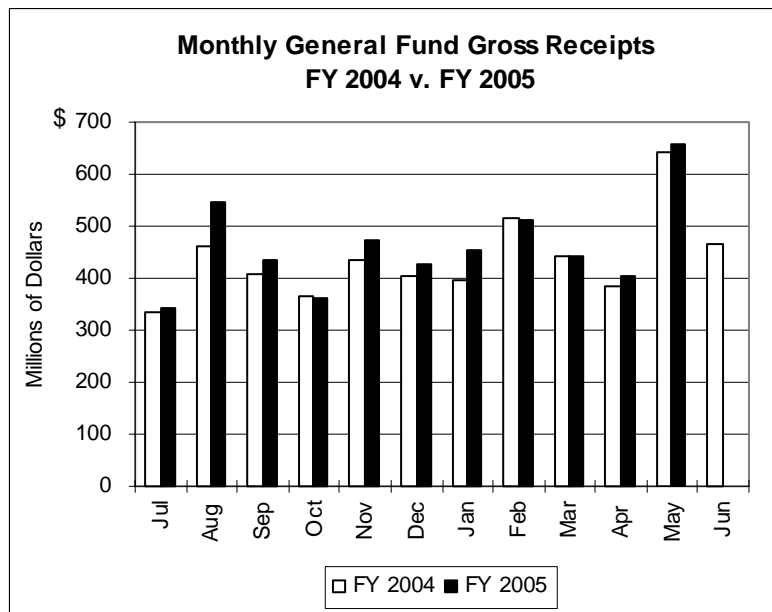
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: June 1, 2005

### Monthly General Fund Receipts through May 31, 2005

The attached spreadsheet presents year-to-date FY 2005 General Fund receipts, with comparable figures for actual FY 2004. The figures can be compared to the FY 2005 estimate of \$5.473 billion set by the Revenue Estimating Conference (REC) on April 8, 2005. The FY 2005 estimate is an increase of \$214.6 million (4.1%) compared to actual FY 2004 gross cash receipts (excluding transfers and accrued revenue changes). The next Revenue Estimating Conference has not been scheduled.



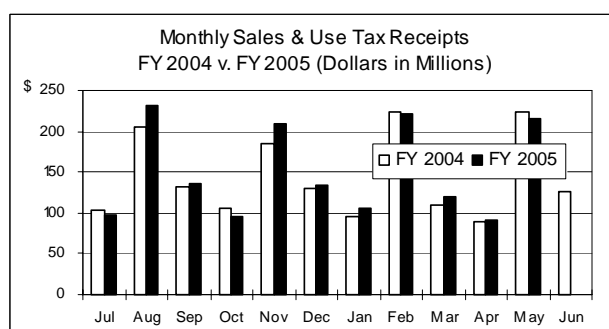
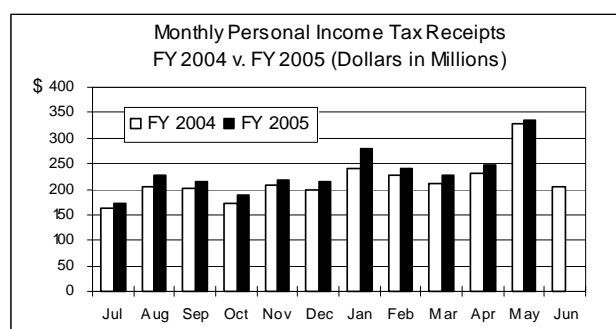
### FY 2005 Compared to FY 2004

Fiscal year 2005 total cash gross revenues (excluding transfers) increased \$267.4 million (5.6%) compared to FY 2004 (through May). Major revenue sources contributing to the change include:

- Personal income tax (positive \$177.6 million, 7.4%)
- Sales/use tax (positive \$55.4 million, 3.5%)
- Corporate tax payments (positive \$41.4 million, 21.2%)
- Other taxes (negative \$1.7 million, - 0.6%)
- Other receipts (negative \$5.3 million, - 1.7%)

**Personal income tax** revenues received in May totaled \$334.7 million, an increase of \$6.9 million (2.1%) compared to May 2004. For the month, withholding tax payments decreased \$23.9 million, payments with returns increased \$26.5 million, and estimate payments increased \$4.3 million. Processing issues (three-Friday effect) as well as withholding table changes negatively impacted May withholding receipt comparisons. However, the \$23.9 million decrease exceeds the assumed reductions associated with those two issues. The payment with return increase of \$26.6 million exceeded expectations.

The FY 2005 REC income tax estimate of \$2.750 billion represents a projected increase of 6.1% compared to actual FY 2004. Year-to-date, income tax receipts have increased 7.4%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should continue to reduce the growth percentage. In addition, revisions to income tax withholding tables (implemented April 1) will negatively impact June receipts as well as the accrual period. The following chart compares FY 2005 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2004.



**Sales/use tax** receipts received in May totaled \$216.2 million, a decrease of \$6.8 million (- 3.0%) compared to May 2004. The reduction occurred in receipts associated with the May 25 semimonthly deposit.

The REC estimate for FY 2005 sales/use tax receipts is \$1.798 billion, an increase of 3.8% compared to actual FY 2004. Year-to-date, sales/use tax receipts have increased 3.5%. The preceding chart compares FY 2005 monthly sales/use tax receipts with FY 2004.

**Corporate tax** receipts received in May totaled \$33.8 million, an \$8.3 million increased (32.5%) compared to May 2004.

The REC estimate for FY 2005 corporate tax receipts is \$254.0 million, which represents an increase of 8.2% compared to actual FY 2004. Year-to-date corporate tax receipts have increased 21.2%.

**Other tax** receipts received in May were \$49.0 million, an \$8.5 million (21.0%) increase compared to May 2004. Franchise (bank), inheritance, and miscellaneous tax receipts all increased in May.

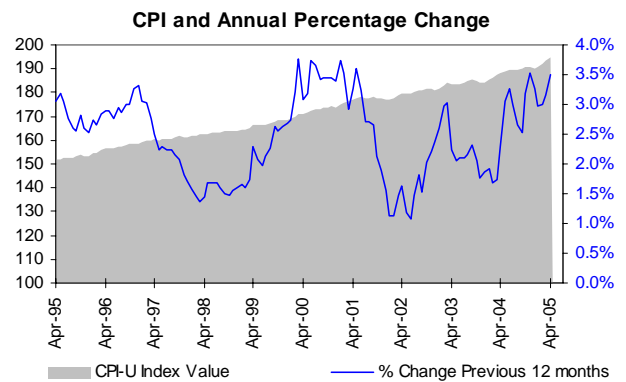
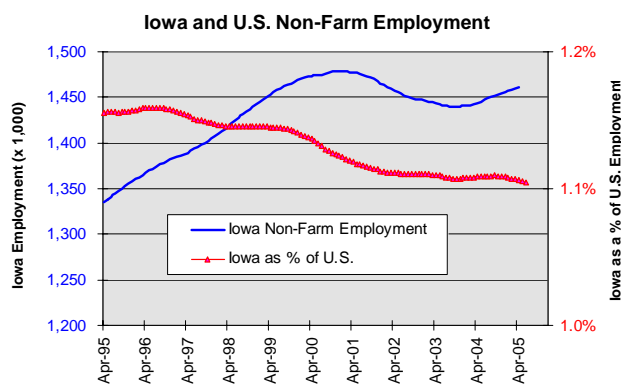
The REC estimate for FY 2005 receipts from other taxes is \$352.9 million, which represents a decrease of 3.7% compared to actual FY 2004. Year-to-date, other tax receipts have decreased 0.6%.

**Other receipts** (non-tax receipts) received in May totaled \$25.8 million, an increase of \$0.5 million (2.0%) compared to May 2004.

The REC estimate for FY 2005 other receipt revenue is \$317.5 million, which represents a decrease of 4.4% compared to actual FY 2004. The projected decrease relates to transfers from Area Education Agency balances and the Unclaimed Property Fund. Year-to-date, other receipts have decreased 1.7%.

## Status of the Economy

Iowa non-farm employment was reported at 1,473,900 in April (not seasonally adjusted), 13,900 higher than April 2004. The non-farm employment number includes only employees covered by the Unemployment Insurance system. Therefore, self-employed and other non-covered employment situations are not part of the non-farm count. The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked at an all time high in the fall of 2000 (1,497,300), and the recent low was February 2003 (1,411,400). The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. The current 1.11% rating is the lowest since 1989.



Consumer prices increased 0.7% during the month of April (not seasonally adjusted). The Consumer Price Index (CPI-U) through April 2005 was 194.6 (1983/84=100), 3.5% higher than one year ago. The annual rate of inflation has been generally increasing since March 2004.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2004 vs. FY 2005 July 1 through May 31, in millions of dollars Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 04 Actual Compared to FY 05 REC Estimate		
	FY 2004	FY 2005	Year to Date % CHANGE	May % CHANGE	Actual FY 2004	Estimate FY 2005	Projected % CHANGE
Personal Income Tax	\$ 2,388.7	\$ 2,566.3	7.4%	2.1%	\$ 2,592.3	\$ 2,750.3	6.1%
Sales/Use Tax	1,605.3	1,660.7	3.5%	-3.0%	1,732.4	1,797.9	3.8%
Corporate Income Tax	195.5	236.9	21.2%	32.5%	234.8	254.0	8.2%
Inheritance Tax	72.5	72.9	0.6%	29.9%	80.1	76.1	-5.0%
Insurance Premium Tax	89.8	87.5	-2.6%	3.5%	138.2	131.5	-4.8%
Cigarette Tax	78.3	78.5	0.3%	2.8%	87.1	87.1	0.0%
Tobacco Tax	7.3	7.6	4.1%	-16.7%	8.0	8.1	1.3%
Beer Tax	12.7	12.7	0.0%	-8.3%	14.0	14.1	0.7%
Franchise Tax	31.4	30.1	-4.1%	125.9%	38.0	35.0	-7.9%
Miscellaneous Tax	1.7	2.7	58.8%	383.3%	1.1	1.0	-9.1%
 Total Special Taxes	 \$ 4,483.3	 \$ 4,756.0	 6.1%	 2.7%	 \$ 4,926.0	 \$ 5,155.1	 4.7%
 Institutional Payments	 11.9	 11.4	 -4.2%	 -8.3%	 13.7	 12.8	 -6.6%
Liquor Profits	50.8	52.3	3.0%	25.9%	58.0	59.0	1.7%
Interest	6.8	8.8	29.4%	50.0%	7.6	7.0	-7.9%
Fees	75.6	66.4	-12.2%	3.9%	79.9	67.6	-15.4%
Judicial Revenue	51.7	53.0	2.5%	-4.4%	57.5	57.3	-0.3%
Miscellaneous Receipts	53.0	52.6	-0.8%	-32.4%	55.2	53.8	-2.5%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 4,793.0	 \$ 5,060.4	 5.6%	 2.7%	 \$ 5,257.9	 \$ 5,472.6	 4.1%